



CITY OF CONCORD

NEW HAMPSHIRE

City Hall - 41 Green Street - Concord, NH 03301 - tel. (603) 225-8510 - fax (603) 228-2701

COMMUNITY DEVELOPMENT ADVISORY COMMITTEE MINUTES

December 2, 2009

The meeting was convened at 12:15 P.M. in the Second Floor Conference Room, City Hall, 41 Green Street, Concord, NH 03301.

Present: Jeff Bart, Mark Coen, Michael Gfroerer, Dan St. Hilaire, and Janet Sprague

Absent: Allen Bennett, Elizabeth Blanchard, Todd Haywood, and Nadine Salley

Staff: Matt Walsh, Assistant for Special Projects
Joia Hughes, Consultant
Bev Rafferty, Administrative Assistant

Guests: Ann FitzGerald, Riverhill Condominium Association Board President

1. Minutes of October 28, 2009 meeting

Bev Rafferty noted to CDAC that Nadine Salley had brought to her attention in a phone conversation that morning that on page 2 of the minutes Rosemary Heard's title is not Executive Director but President of CATCH. With that amendment, a motion was made by Janet Sprague to accept the minutes as amended, seconded by Mark Coen; motion passed unanimously.

2. Revolving Loan Fund:

One new loan application was presented to CDAC today.

- Riverhill Condominium Association had submitted a request for funds to do roofing repairs due to ice and water damage to the buildings including interior walls, carpets, etc.

Chairperson Bart asked Matt Walsh to provide an overview and background of this request. Mr. Walsh explained that this condominium complex was built in 2003. At the request of Ann FitzGerald, he and Joia Hughes had visited the complex in November. Mr. Walsh explained that the units are housed in roughly six single story buildings. The heating plant and hot water tank for each unit is located within the attic space above each unit which has no venting. This condition causes ice dams to form on the roof thus damaging the roof and causing leaks which have caused extensive damage within some units. Over the last few years the Association has done some work to fix this problem but to no avail. A permanent fix needs to be completed. The Association has secured bids from several contractors. To support the cost of the project, the Association has implemented a special assessment of about \$800 a unit.

Mr. Walsh continued that approximately a half dozen traditional lenders have been contacted, however, due to the newness of the complex, the low cash reserve, and a problem with the last Association's Treasurer (which has now been corrected) none of the traditional lenders are interested in financing the necessary improvements. Thus, the Association's Board of Directors is seeking assistance from the City's revolving loan program as a lender of last resort.

Mr. Walsh noted there are 28 units in the complex, 30% of the units are occupied by low/mod income households. He noted typically the City's RLF only assists with housing developments of which 50% of the units are occupied by low/mod income households. He explained that although this loan application is unusual, something needs to be done as, if not, the Association is in jeopardy of losing its property and liability insurance coverage due to this issue. Because less than half of the development is occupied by low/moderate income households, CDAC would need to waive its rules to make a loan to this development. Mr. Walsh suggested that because the project is not "low/mod income", as required by the PIRP, CDAC should consider charging a market interest rate should it be inclined to assist this project.

At this time Chairperson Bart asked Ann FitzGerald to make her presentation. Ms. FitzGerald informed CDAC she is a relatively new resident to Riverhill. Most of the residents are single or single parents and are employed by the city, state, or Concord Hospital.

Ms. FitzGerald gave a detailed history of events leading up to the ice and water damage and interior damage done since 2004. She explained that each unit has a mechanical room in the attic where the furnace and hot water heater are located. There are no vents. There is only one foot of ice and water shield on the roofs. The HVAC system heats toward the edges, however, the system is designed for southern atmospheres not the northern snow/ice atmosphere we have here. She also noted the pitch on the roof is relatively shallow, thus further complicating the ice dam issue.

Ms. FitzGerald informed CDAC that the Association had contacted the Attorney General's about suing the developer who built the project, who also happens to own two units in the complex, but they were informed that it was a civil matter. They then contacted an attorney to discuss the possibility of suing the developer, however, the attorney advised them that taking that action would cost as much as repairing the damage and fixing the problem and the outcome of litigation could not be guaranteed. Therefore, the Board is not going to pursue that action.

She also confirmed what Mr. Walsh had noted that the insurance company is going to drop the Association's property and liability insurance if the problem is not remedied soon. Twenty-four of the 28 units have water damage to interior walls and carpeting. Ms. FitzGerald informed CDAC that the Association's insurance company as well as the Association have hired independent engineers to review the situation in the hope a solution could be identified.

Based upon consultation with engineers, general contractors, and HVAC contractors, the Association is pursuing a solution whereby a contractor will strip the roof and install 9' of Grace ice and water shield from the soffit back and re-shingle; an expanded metal roof drip edge will be installed along the soffit line with removable gutters. To vent the mechanical room heat, two chimneys will be installed per unit (including a fan) to encourage air flow exchange. She explained that neither the Association nor individual residents have sufficient savings to undertake this project without a loan.

Joia Hughes noted to CDAC that the majority of the people who bought these units bought them when the market was hot and there is no equity for them to borrow on their own. Matt Walsh noted that with no equity, a one time special assessment of \$3,600 per unit would be required from each unit owner in the complex. While the development is not "low/mod income", many households do not have sufficient savings on hand to make such a contribution.

Various alternative loan scenarios were discussed, including direct loans between the City and the owner of each of the 28 condominium units. Another alternative involved the City only making loans to those unit owners which met CDAC's income restrictions.

Ultimately, staff explained the preferred approach was for the City to make a loan to the Condominium Association for the cost of the improvements. The Association, through its ability to assess unit owners, would then raise the funds to repay the loan. Ideally, the City would then hold the Association's common property as collateral for the loan. Matt Walsh noted this is similar to the Fisherville Cooperatives where the city placed a mortgage on the mobile home park property as collateral. Unfortunately, the Association in this case does not own any of the land - each home owns its own property with the exception of some common area space. Thus, the City would be forced to rely upon a Promissory Note only to protect its investment.

Ms. FitzGerald indicated that of the two foreclosed properties, one was recently sold. In June the residents were willing to do recycling to reduce costs.

There was discussion on the location of the heating units; were they located in a crawl space or in the truss system and CDAC was informed the units are in the truss system but there are no fans or ventilation in the attic. The furnace needs to be vented out through the attic. Two chimneys need to be in place in order to have proper circulation.

There was discussion about security of the loan if it were awarded. The Association does not own the land on which the homes are located so no mortgage deed can be recorded. Ms. FitzGerald emphasized that the Association is confident they can repay the loan and she noted that should a unit owner become default in payment of their condo fees, the Association has the right to place a lien on the property.

Chairperson Bart inquired as to exactly what work would be done to correct the damage and possibly future ice build up. Ms. FitzGerald reiterated that the

contractor is going to strip back 9' up the roof and put in ice and water shield; that will get past the mechanical room. The contractor will then put in a venting system that will draw in cold air and push out the hot air. Each unit has a ridge vent. Ms. FitzGerald also noted that metal roofs will not work as the roof will not support it and even extra trusses would not support the weight of a metal roof.

Members of CDAC inquired if this design was approved knowing the furnaces would not be vented. Matt Walsh suggested checking with Code to see if it was acceptable.

The question arose again of the city's security with this loan as the Association owns no real estate. It was reiterated that the Association has increased its fees and has also implemented a special assessment to cover the cost of the loan as well as strengthen its reserves. The budget submitted by the Association shows a monthly mortgage payment of \$1,700/month to cover this loan.

Discussion ensued regarding the proposed improvements. Ms. FitzGerald offered additional clarification by noting that three engineers which have examined the property concluded that the heating units do not need to be changed, just vented. There was detailed discussion about a snow slide on each unit but it was noted that the cost for such features made the project unaffordable at roughly \$8,000 per unit. Discussion continued regarding the mechanical room ceiling slope and walls, the damage done to the interior walls of the homes, and Ms. FitzGerald noted the fire inspector has a huge concern that the heating units should not be in the attic but the homes have no foundation or crawl spaces.

Chairperson Bart inquired if CDAC would want a vote without security. Matt Walsh reiterated that the City's only protection would be a Promissory Note signed by the Association's Board of Directors or President. However, because the association owns no real estate, the City cannot attach any of the property. He discussed the notion of having all 28 unit owners having liens attached to their units, but this approach was not feasible as it could be derailed by a single disgruntled unit owner. Dan St. Hilaire inquired if documentation was available to confirm that the Association held the proper meetings and took votes authorizing this loan. Joia Hughes noted that the City has this documentation and that the required vote was done properly.

Mark Coen inquired if the Association receives the loan and in 5 years someone wants to buy one of the units would this loan have to be disclosed to the buyer and it was stated it would as this is a debt the Association is incurring.

Dan St. Hilaire noted the Association has sufficient motive to make this loan and repair successful because people do not want to buy without full disclosure and the Association must disclose this to a potential buyer.

Chairperson Bart thanked Ms. FitzGerald for coming to today's meeting and sharing the information she had researched. Ms. FitzGerald left the meeting at this time.

CDAC discussion: Matt Walsh stated that he could not comment on the quality of the units as built by the developer. However, he noted that the City has worked with Alan Johns in the past and that he was a well known and respected developer within Concord. He further noted that he did not believe there was an imminent threat to public safety created by this situation. However, he did note that the situation is creating significant stress for those dwelling at the development and, if left uncorrected, could cause structural and mold problems which could lead to units being uninhabitable. Mr. Walsh reiterated his view that the City is the “lender of last resort” for this particular situation.

Mark Coen noted the lack of hard collateral – beyond the Promissory Note for the loan - was his major concern. Joia Hughes noted the budget proposed by the Association did take the loan into consideration and their budget is very conservative. Dan St. Hilaire noted the Association has proven they have cash to pay but the one unknown is whether this repair job will fix the problem permanently. Several members of CDAC wondered if the Association would come back in the Fall of 2010 requesting more money if their proposed solution was not adequate. It was also noted that some of the units will have different types of venting depending on the gables and Joia Hughes noted some residents are using the mechanical room for storage as there is no other space available. That could be a problem.

It was also noted that if the work is not done, the tax assessment will probably go down on the properties thereby dropping the taxes to the city.

Joia Hughes informed CDAC that the Association is requesting \$150,000 but she can only justify \$100,000; she feels they were asking for more to do some additional work that Ms. FitzGerald had mentioned earlier (electrical, etc.) but the quotes received totaled \$103,019 for the roof, venting, etc. Therefore, staff is recommending \$100,000 at 6% for 117 months in order to keep the monthly payment near the amount in the Association’s proposed budget.

Dan St. Hilaire made a motion to approve a loan in the amount of \$103,000 at 6% interest for ten years; seconded by Michael Gfroerer; vote: 4 for the approval; one “no” vote; motion passed.

For the record, CDAC made it clear that this loan was highly unusual but was made because of the following extenuating circumstances:

1. The Riverhill Condo Association had tried to secure a loan through approximately six other financial institutions before coming to the city and that the City was thus acting as the “lender of last resort”;
2. Because the percentage of low/mod income beneficiaries is lower than the 50% preferred in the Program Income Reuse Plan (PIRP), a market interest rate was applied;
3. If the situation was not remedied, the Association would lose its property and liability insurance coverage, thus creating an unacceptable legal and financial risk;

4. If left unchecked, the City had concerns that the water damage caused by the ice dams would ultimately undermine the structural integrity of the condo units, as well as lead to future health and safety issues (such as mold). In the extreme, such issues could cause the units to be condemned by the City;
5. The Association provided more than ample documentation of its situation and its proposed remedy, far in excess of what the City typically receives with such applications;
6. The Association provided a business plan and other financial documentation for how it would repay the City's loan;
7. The Association provided the necessary documentation to prove that it had taken the necessary votes associated with this application as well as the authority to bind unit owners to repay this loan through dues or other special assessments.

J. H. Spain is ready to come in and do the work before Winter arrives; staff will prepare the necessary documents (Promissory Note) and have the Legal Department review it before doing the loan closing.

- 2701 Outstanding Loans Report: Due to the time, Bev Rafferty gave a very brief update on the outstanding loans.

3. Other Business

There was no other business brought before the committee.

4. Adjournment

There being no other business brought before CDAC, and upon a motion duly made and seconded, with unanimous approval, the meeting adjourned at 1:45 P.M.

Respectfully Submitted,

Beverly A. Rafferty
Administrative Assistant